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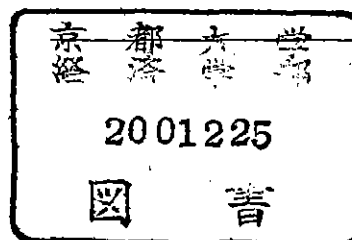
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SOME CHARACTERISTICS OF THE CHINESE NATIONAL ECONOMY

1.

Of all the national economies that exist in the present age, there are two which present striking features from the point of view of economic constitution. One is the Chinese national economy and the other is the Russian. As regards all other national economies, they are constituted in various forms which range between the above mentioned two. The comparative study of national economy is a very important preliminary to the research of the principles and policy of national economy, but no good advance has hitherto been made in this sphere of research. It is hardly necessary to say that, if only as a matter of comparative study of national economy, it is of considerable interest to study the characteristics of the Chinese system of national economy. It, at the same time, furnishes an essential basis of study in regard to Japan's economic policy towards China.

Generally, present-day national economy has developed from "natural economy," in which social economy is left to the natural order of society for adjustment, into "willed economy," in which it is amenable to the control of the State will. Even in regard to those national economic systems which fall under the category of "willed economy" alike, however, they are, in most cases, so constituted that individual liberalism, which chiefly aims at economic regulation, supplies the main principle of the whole system, while the principle of universal dominance, which has economic administration for its main object, is adopted in exceptional cases. The latter principle is only adopted so as to make up for what is wanting in the former. This exceptional

principle is resorted to as an emergency measure, when the national life is put in serious jeopardy in time of war. Private capitalism was generated in "natural economy," and prospered in "willed economy" based on liberalism. Under the willed economic system based on the principle of dominance, private capitalism is converted into State capitalism, which will then gradually develop a tendency to grow into State labourism. In the case of Russia, however, she passed from private capitalism to State labourism at a bound at the time of the Revolution. This change was at once fundamental and extreme. As it was extreme, it has subsequently retrograded by means of the "new economic policy" which takes on something of State capitalism. Moreover, private capitalism had to be somewhat widely recognized in exceptional cases. The fact nevertheless remains that Russia is the only country that actually adopts "willed national economy" based on universal dominance aiming at economic administration—though it must be admitted that it is a very imperfect "willed economy" in that it is simply a manifestation of class consciousness called the dictatorship of Communists, and not founded on a true synthetic will of the nation—and offers a singular contrast with willed national economy based on individual liberalism aiming at economic regulation, which characterizes the economic systems of most modern countries. On the other hand, the Chinese national economy represents the other extreme opposite to the Russian national economy, and it still remains at the stage of "willed economy" so crude that it merits the name of "natural economy," to all intents and purposes. The Japanese people who have these two nations each with its peculiar national economy for their western neighbours, with whom their country is vitally related economically, must needs look into the economic conditions prevailing in those countries from the point of view of formulating a really effective State policy as well as from the scientific standpoint. When it is remembered that, of the two, the Chinese national economy is of greater

interest to the Japanese people because of the necessity of regulating their national demand and supply thereby, it is hardly necessary to point out the great importance of their becoming acquainted with its characteristics.

2.

National economy means the whole body of the system and order of economic activities which has a nation for its range of operation. By a nation is meant a body of people who are amenable to the control of a State. National economy in this sense constitutes one systematic body of social economy which sprang into existence in modern times. This economy was organized when, after the creation of urban economy and territorial economy, the modern State, by the exercise of its sovereignty over its territory and people, established the various systems governing currency, taxation, business and contracts all over the country, thereby doing away with the barriers existing between local provinces and extending the scope of administration. In this respect, Japan had the same experience as Western countries. China alone, however, took a course which is very different from that of other countries. From ancient times, Chinese territory in a political sense has never been very clearly defined. As the first object of politics was to restore tranquillity to the country by means of moral administration, the extent of territory over which sovereign rights were exercised was subject to changes. In the East as in the West, superior races had the aspiration of bringing the whole world under their rule. Rome and China were notable examples of this. As Rome had recourse to arms in order to realize this ambition, she soon came to grief. As for the Western nations, they were engaged in bloody wars with one another in an attempt to secure the predominant position, and owing largely to this cause, a number of territorial States were created. These territorial States were, on the other hand, the occasion

for bringing the national economy into being. So far as China is concerned, her endeavours were directed towards ruling the country by cultural means. The carrying out of this method was attended with many difficulties, but as was comparatively natural, Chinese administration has carried on without meeting with a deadlock down to modern times. When as a result of the sudden development of world-wide intercourse, various countries extended their influence to territories abutting on China, and set up a clear line of demarcation concerning their possessions, China's territorial confines were automatically defined. For instance, Russia got possession of an extensive area of land in the north-east of China without even shedding a drop of blood. The fact that China, who did not hold other countries in much dread in those days, offered no strong resistance to Russia's encroachment on her territory shows that the national constitution of China was of a very peculiar kind.

Although the territory over which China's sovereignty extended was not very clearly defined, the system and order of economic intercourse—the natural system and order, of course—pervaded the whole country from a very early date. In this regard also, China is different from other nations. In other countries, the feudal system was long maintained while in China it came to an end so far back as the Chin Dynasty (B. C. 221), with the result that she did not go through the same process that Japan and the Western countries did, a process by which the present national economic systems of those countries developed out of the feudal economic system. Japan retained the feudal system until only sixty years ago. The territorial economies which grew under this system were limited in scope of intercourse, commensurate with the undeveloped means of communication then available. The feudal lords, who ruled their fiefs generation after generation, took due note of the fact that the economic prosperity of the inhabitants under their rule was necessary to make their own position secure, and many of them encouraged industry, effected financial reform,

inaugurated economic systems of various kinds and framed and pursued policies which were designed to advance the interests of political economy. Those influential statesmen who were at the helm of the State when the nation-wide economic system was inaugurated in this country on the replacement of the old clans with prefectures, hailed from the clans which had comparatively well-developed political economy in their territories. They applied their traditional views of economics to the widened sphere of the newly created national economy. In China, however, the feudal system crumbled away too early and for a very long time up to the present a crude system of county or prefectural administration has prevailed. This, combined with the wide extent of her territory, has interfered with the growth of the political economy of the country. As I propose to discuss later, there also existed certain natural circumstances in China which were ill adapted for the maintenance and growth of the feudal system and the political economy based on this system. Again, there is no evidence of the urban economy and territorial economy such as were witnessed in Western countries developing in China as one process of economic progress. To put it somewhat exaggeratedly, social economy in China has always—at least, since the Chou Dynasty—been put under little political restraint, and it has gone on widening its scope and strengthening its foundations along purely economic lines and by natural processes. So far as the form is concerned, the scope of China's social economy has always been nation-wide. The actual extent of territory over which it prevailed was determined by the extent of the circulation of goods, which depended upon the state of production and consumption in various localities and the existing route of communication which formed the basis of the circulation of goods. Even in these days when economic intercourse is clearly nation-wide, therefore, the local system of communication is still retained to a certain extent in some districts in Yunnan, Szechuan and Kueichow provinces, where no good route of

communication is yet provided. On the whole, it may fairly be said that the Chinese market has been nation-wide even since ancient times. In the case of many nations, the main cause of the nation-wide extension of the range of the circulation of goods was the abolition of the barriers to intercourse between local districts through the establishment of modern States or the carrying out of the centralization of power. Not so with China. In that country, the circulation of goods extended in compass as the means of communication developed. The process was purely economic, and not political, as was the case with other countries. In contradistinction to Russia, which has already set up an economic system on an administrative basis for the whole country, China still lacks even a system of currency and taxation, which are applicable to the whole country.

3.

That the social economy of China extended its system and order all over the country at an early date was due to the little political restraint put upon it. This same cause is, at the same time, responsible for the instability of the present system of national economy in that country. This is one characteristic of the Chinese national economy. The national economies of modern States took the form of "natural national economy" at an early stage and it gradually developed into "willed national economy." Economic Communication has recently been developing a co-operative system by degrees, but in its early stages it stood chiefly on the basis of the circulation of goods, which was comprehensive enough to cover the whole country. This circulation system attained uniformity by means of the system of monetary traffic and this system was unified by the creation of State money. In China, however, the State money is not yet really established. This single fact is enough to make one doubt whether there really exists a national economy in that country. To my thinking, however, if the system

and order of social economy are of nation-wide dimensions and there is maintained a state of nation-wide demand and supply, it may be regarded in the light of national economy, irrespective of the completeness or incompleteness of its system and order. From this point of view, it is hardly correct to say that China has no national economy.

It may be asked how the system and order of communications is fixed in the national economy of China which has very little to do with State control. The system of communications is generated out of the circulation of goods which supplies the national demand under the division of labour caused by the different productive basis and conditions. The order of Communication is based on the order of communal life which has naturally grown in society rather than on the order which is maintained by the Statute law. Custom, by which the Chinese people set special store, forms the nucleus of the order of circulation economy, and combinations of families of the same stock and the rules of various guilds consisting of people of the same provinces and in the same trades or occupations constitute the more important of the order of co-operative economy. This private and self-governing common economic organ is as powerful as the public and authoritative common economic organ of the State is effete.

While possessing the extensive nation-wide circulation system from an early date, the social economy of China had very little to do with political authority, a phenomenon which characterizes China's national economy even in these days. I think this characteristic is ascribable to the circumstances of the land on which the Chinese community is established, the social life of the Chinese people and the relations of the Chinese with the neighbouring races.

The Chinese people set up their community on extensive plains, and these plains are, as the Chinese proudly describe, "extensive and productive," containing rich natural resources. They are located in the temperate zone and are bountiful in harvests of varying kinds. These plains are also traversed

by many big rivers, which provide good highways of communication along which the produce and wares of various districts can be transported to other different places. The social economy of China developed on this productive land, and semi-permanent economic system was built up in very early days by a people of industrious and persevering habits. According to Professor Seligman of America, there is a marked difference in the habits of mind between the inhabitants of the Eastern States of America and those of the Western States. The people in the Eastern States welcome Governmental protection, and the theory in favour of the nationalization of industries gains strong support among them, while, on the other hand, those in the Western States go in for the *laissez-faire* policy, and private undertakings are in favour. This disparity is mainly due to the fact that whereas the Eastern States are subject to violent climatic changes and are sterile, the Western States are fertile with a mild climate and a plentiful supply of rain. The latter States have supreme economic power and it is said that they command the economy of the whole of America. The conditions of China bear a striking resemblance to this. Not only is there a remarkable difference in favour of the South between the North and the South in climate, in the quantity of rain that falls, and in geological conditions, but the North is subject to floods and has far larger chances of being invaded by alien foes than the South. It is thus said that the South holds three-fourths of the financial strength of China. While the North takes kindly to official intervention, the South likes a free and self-governing atmosphere. An everlasting conflict is going on between them, but in so far as economic affairs are concerned, the South predominates over the whole country. It is largely due to geographical conditions that the social economy of China is not easily brought under State control.

Next, the social life of the Chinese people is unlike a society such as in Western countries, the keynote of which is competitive compromise based on strict individualism

and social justice, nor is it similar to that of Japan which is founded on the racial State. On the whole, the Chinese people live a big gregarious life, which originated in family and clan systems and developed into a combination of the nation by help of a fidelity which denotes mutual trust. Economic order exists within this gregarious life too.

While recognizing the weakness of China's State organization, we cannot help admiring her superior social organization. It is probably fair to conclude that, of all the races of the world, the Chinese was the first to form a most superior social organization, independently of the help of the State. In the system of competitive compromises, in which conflicts of interests between individuals are reconciled by natural processes, an excessive amount of energy is wasted in the destruction and restoration of social equality. Modern social ideas therefore strongly advocate a system of social solidarity. In the society of China, however, there has always predominated a federal system of mutual aid aiming at the adjustment of conflicts of interests between individuals. This is perhaps because the Chinese people of the earlier days bequeathed to their posterity the community system—*Gemeinschaft*—which prevailed in the old family and clan life, thereby saving the Chinese race from being ruined by racial conflicts such as were waged among the Western races, and because this primitive community system has gradually been woven into the comprehensive society of the Chinese people which is a combination of family and clan bodies. In Japan as in China, the community system which family and clan bodies possessed has been expanded so as to cover the racial body. In Japan, however, the Yamato race, which was most superior in ancient days, extended its primitive community to other races, consanguineously and culturally, so as to develop the community system in the processes of eugenic expansion. This unified body has developed into the Japanese State. Inasmuch as this community is strong in Japan, the social life has not made any marked development in Japan. Such was not the case

with China. In that country, family and clan bodies with primitive community systems are scattered all over the country, and these have combined with one another by means of consanguineous and culturalties, culminating in the formation of the present racial society. Such being the case, the co-operative system underlies Chinese society. In Japan, "loyalty" is held the highest morality of community life, while in China "fidelity" is regarded as the highest morality in community life, as an ancient saint said, "Without fidelity there can be no life," though filial piety constitutes the basis of China's national morals.

There are four factors in morality governing mass life. They are fidelity, justice, humanity, and loyalty. Any society or State in the West or the East has morality of these four kinds in more or less measure, though the main force supporting the organized body is not always the same. In the Chinese community, the sense of justice is not so well developed as in the Western community, and this is the case with the community of all Eastern peoples, not excluding the Japanese. In China, politics are defined as justice, but just as politics have made little progress in that country, the sense of justice among the Chinese people is not very strong. The Chinese are possessed of very little sense of loyalty, a virtue which is particularly well developed among the Japanese. As regards humanity, it was very earnestly preached by Chinese sages as the supreme virtue and consequently it is held in esteem by virtuous people who try to regulate their conduct thereby, but it is not widely practised by the masses. The only virtue which has always prevailed in the Chinese community is fidelity. In China, where politics are in a backward condition, statesmen are comparatively lacking in fidelity, and the people find it difficult to trust their Government. This is the reason why a joint sense of responsibility based on fidelity plays an important part in the social life of the Chinese—the economic life in particular, and the people form guilds of various kinds to protect their livelihood for

themselves. It is, however, problematical whether this morality of faith can be regarded as a subjective moral spirit awakened within individual Chinese, or whether it is merely an objective moral law which is woven into the social life and maintained collectively by the Chinese. Perhaps the latter view is nearer the truth, for we often come across cases where the Chinese show themselves lacking in that fidelity which is a manifestation of the subjective moral spirit. But this generally happens either in inevitable circumstances or in connection with matters which are not considered very important to mass life. Because of this lack of fidelity, however one must not lose sight of the fact that their social life has fidelity as its mainstay. When the Chinese are compelled by circumstances to act in betrayal of trust, they excuse themselves by saying: "There is no help for it." This remark is not to be taken as evidence of their contempt for fidelity. It is rather an attempt to extricate themselves from the difficulty in which they sometimes find themselves because they live in a society of co-operating system. Thus, it rather goes to confirm the fact that fidelity forms the keynote of the social life of the Chinese. The Chinese are described as Individualists, but they do not belong to the same category as the Westerners whose individualism is based on a supreme ego and who emphasize the sense of individual responsibility. The characteristic feature of Chinese individualism is to assert personal will within limits in a collective life. It is also widely believed that the Chinese people are very keen on matters of self-interest but this is not a trait that is confined to the Chinese. All peoples are more or less affected in this respect. I only wish to point out that of the four kinds of morality governing a collective life in which the selfish assertion of personal interests must be held in check, fidelity is most pronounced in the Chinese community.

Consistency is one important factor in fidelity. Accordingly, the usage which is characterized by unchangeableness, together with fidelity, forms a great regulator of the social

life of China. China's material circumstances are subject to comparatively little change, and consequently they do not greatly stimulate changes in popular ideas. It was, moreover, very rarely that the Chinese came in contact with a race possessing a higher civilization than their own to lead them to make changes in their civilization, the only instance of such a contact occurring perhaps when China welcomed Buddhism among her own creeds. This fact also served to keep the social life unchanged. The masses were in a position to earn their own living, while the propertied classes were sufficiently gifted to be able to devote themselves to the study of literature and the fine arts. Their racial civilization was remarkable. It is perhaps mainly for historical reasons that custom is held in regard in China. In that country, company enterprises along modern lines do not thrive well, a fact which is attributed by some to the selfishness of the Chinese people. This explanation does not carry much weight, however, for it cannot be reconciled with the fact that the old guild systems of varying kinds sprang up and developed in that country. The chief motive for establishing money-making companies is the utilitarian spirit which believes that the profits accruing to corporations react upon their staffs. The growth of the sense of justice among Western peoples is due in no small measure to individual morality and social moral law which strive to base common interests on individual interests. In Japan, company enterprises have made considerable development during a short period, notwithstanding the fact that the Japanese sense of justice is not so strong as that of the peoples of the West. This, in my opinion, is because the sense of loyalty—the idea of all working for the good of all—which is characteristic of the Japanese comes into play unconsciously in organizing corporations. It must, however, be noted that the sense of loyalty is of too high a type of morality to be applied with advantage to the organization of corporations aiming at profit. This is presumably accountable for various evils attending Japanese company

enterprises. Japanese money-making companies will never be able to achieve as good results as the companies organized by British people, who strive to regulate their selfishness by their sense of justice. The shortcomings of the Japanese people referred to need not cause serious apprehension, however, for they rather imply that the Japanese people may succeed in the formation of a new economic system based on nationalism. In the Chinese community, there is no strong play of the sense of justice or loyalty. Not that the morality of faith which characterizes it is altogether unfit for the management of companies. The slow development of company enterprises in China is probably due to the fact that custom, which goes hand in hand with fidelity, has not yet generated sufficient force to control corporations of the new type. Generally speaking, the two strong social laws of fidelity and custom which support the social organization, form the order which upholds the social economy of China. Because these social laws operate vigorously, the legal authority of the Government is relegated to a position of secondary importance.

Lastly, the fact that China has not come across a formidable political or economic rival until modern times is one reason why her social economy has drifted away from politics. Races surrounding China possessed a civilization much inferior to that of China. Even when intrepid races chanced to take advantage of the debilitated state of China and extended their armed influence over her, she did not fail to assimilate the invaders by means of her superior civilization. The fact that she rarely met other races in sharp competition for existence, coupled with the inherent weakness of her political organization, deprived her of the opportunity of practising a mercantilist policy, such as many other nations have pursued.

Thus, although China's social economy assumed nationwide dimensions much earlier than other countries, and developed into a national economy, its system and order have long been left to be regulated by natural processes,

with the result that it has retained the character of "natural economy" up to the present.

4.

In China, the material circumstances, the condition of social life and the relations with the neighbouring countries lessened the necessity of developing her political economy. There were also circumstances which debarred politics from making such good development as in the case of other countries. The fact that the Chinese community is, on the whole, homogeneous and that the country is comparatively free from topographical barriers which facilitate the division of the country among the leaders has rendered the political unity of the whole community easy. At the same time, it may be mentioned that the very wide extent of the country and the vast numbers of inhabitants have necessarily tended to make political unity loose. This loose unity is characteristic of Chinese politics, and it may, on the other hand, be concluded that the virtuous rule principle, which also characterizes Chinese politics, is a result of this loose unity, but this principle, in its turn, tended to make the administration of China all the more loose.

No nation has ever had a better natural environment than China for enabling her people to be self-supporting. The United States which was founded in modern times is very rich in natural resources, but she has had an inadequate supply of labour power for a long time. On the other hand, China has both rich natural resources and an inexhaustible supply of industrious labourers, though she is wanting in capital and technical skill, which constitute important factors in modern industry. Rich natural resources and labour power are the more important factors in industry, however, upon which the security or insecurity of the national life greatly depends. A nation whose industrial prosperity is due to its abundant capital and good technical skill is not free from elements tending to be subversive of its national life.

China's national economy, taken as a whole, is naturally secure. Moreover, China has extensive plains with many rivers flowing through them, which provides that country with immense transportation facilities in the matter of the exchange of products in various parts of the country. The peaceable characteristics of the Chinese people further help forward the traffic in commodities, and a commercial intercourse system on non-self-supporting lines developed in many districts. As Chinese politics have always been roughly organized, and as also the country has long been free from economic pressure from without, there were very few cases where it was found necessary to regulate or encourage production artificially by means of a State economic policy. Thus, the division of labour in industry came about spontaneously in accordance with the conditions of natural production in various districts. The products that the country yielded were of various kinds, and there occurred a maximum surplus of production. These products were circulated and distributed all over the country, according to natural requirements. This state of production and distribution may be described as the economic system of natural liberty, which Adam Smith most welcomed. This, indeed, forms a distinguished feature of China's national economy. Even in these days, China's home exchange bears a striking resemblance to international exchange. Similarly, her domestic production, division of labour, and the traffic in products resemble the actual state of the international trade market, on the whole. Indeed, the Chinese people are possessed of an economic system skilfully and matchlessly organized, and commensurate with the rich natural resources of their country. On the other hand, their political economy is as defective as their national economy is well organized socially.

Look at finance—taxation in particular—which has both political and economic bearings, for instance. It will be seen that at first it rather belonged to politics, but as social economy transformed itself from “natural economy” into “willed economy,” it gradually developed a tendency to

assume the character of economics. That political taxation gradually converts itself into economic taxation means that economics plays a specially important part in politics. The extension of economic taxation shows that the national economy has already entered on the stage of "willed economy," but the fact that taxation still exists is a proof that there prevails an economic system based on individual liberalism. Under an economic system based on universal dominance, the principal enterprises which are productive of national earnings pass under State management, and taxation which takes tolls from individual incomes ceases to exist. Such a day is, however, still far off. Regarding the political taxation which is levied for the purpose of raising the funds necessary for the expenses of the maintenance of the national organization, the national defence, the judicial system and other purposes of a non-economic nature, such taxes were at first regarded in the light of sacrifices made for the Government. In those days, taxes were sacrifices made on the altar of the rulers and their vassals who exacted them by compulsion, and as such there existed no inherent relation between politics and economics. Taxes were simply collected compulsorily, as drafts on the revenues of the public, by rulers who stood, as economic units, on the same footing as taxpayers. There are also cases where taxes are regarded in the light of a sacrifice, though they are not so, in the true sense of the word. In cases where politics are so conducted as to maintain the general social order by preventing alien invasions and civil disturbances, so that the people can follow their respective pursuits in peace, there springs up a close relationship of interdependence between politics and economics, but, on the contrary, when the rulers wage wars with foreign countries against the interests of their people, or when so much struggle goes on for power at home that politics are found to interfere positively with the peaceful pursuit of their occupations by the people, politics loses their virtue of maintaining order, and then it is considered

inimical to economics. When the latter phase impresses itself more strongly upon the people's minds than the former phase, taxes are regarded as so many sacrifices. Taxes are generally looked upon as compensation made to the Government, when there are few wars with foreign countries, or few struggles for political power that make against the interests of the people, and when social order is effectually maintained, and the economic interests of the people are advanced by the protection given by the State to the right of property, and by the currency and other systems established. Then, politics becomes indispensable to economics. Lastly, in days like the present when taxation is regarded as a common burden borne by the people to improve national existence, the individual account of the people exists side by side with their common account, and the economic principle of obtaining the maximum of income with the minimum of labour is extended from utility economy to social economy, and, even if there be no entire harmony of politics with economics such as is witnessed in economic taxation, economics, together with politics, takes its place in the national life.

The changes which have come over political taxation, as referred to, are common to all the old nations in the West and the East, though countries like the United States which were founded in comparatively recent years are exceptional. With regard to China, no taxes based on the principle of a joint burden, are found either in the conception of the people or in the State system, nor is even the taxation based on the principle of compensation recognized by the people at large. Judging from the fact that there is still a strong inclination among the Chinese people to think that the lighter the taxes the better is the government, it is manifest that there is a widespread primitive belief among them that taxes are sacrifices. The civil disturbances which have been going on since the establishment of the Chinese Republic appear to have had the effect of making the majority of the nation retain that notion of

taxation which obtained among them before the Revolution, despite their knowledge with the much advanced political economy of other nations, if, indeed, they have not served to strengthen it. The belief that the lighter the taxes which are imposed, the better is the rule, is born of the wish that the State and the Government should keep aloof from the people's life—their economic life in particular—as far as possible. In a country of such national conditions it is quite natural that State control should not extend to social economy and that consequently national economy should not attain the stage of "willed national economy." When this is contrasted with the conditions prevailing in Russia, where the transaction of all economic matters is left in the hands of the People's Commissars, it will be seen that both represent two extreme types of economic organisation.

Currency is another important factor indicative of the characteristics of China's national economy. While it is not easy to accept the theory that currency was invented for the imposition and collection of taxes, there is little doubt that many Governments have made special endeavours to establish a currency system in order to facilitate the imposition and collection of taxes. With the spread of the notion in later days that the Government exists for the benefit of the nation, the currency system was established and improved chiefly with the object of perfecting the mechanism designed for the circulation and distribution of goods for the whole system of social economy. Inasmuch as the currency circulation system represents the most developed form of social economy that has hitherto been invented, the currency circulation system which is established and maintained by the State may well be said to embody the boundary-mark between "natural economy" and "willed economy." China has not yet passed this boundary-mark into the domain of "willed economy." China established a comparatively advanced currency system earlier than any other country. Japan is greatly indebted to that country for the currency system which she has adopted. The currency

system of China was perhaps established mainly for the purpose of facilitating the imposition and collection of taxes, but it, at the same time, did much to help forward the general circulation economy. Even this comparatively advanced system of currency of the past is now left far behind those of other civilized countries, so much so that China still remains as practically the only silver-standard country, even copper coins being used as the standard currency in some outlying districts. Nor is there any uniformity in regard to the units of her silver and copper money. She is, indeed, in such an anachronistic state that she actually furnishes living materials for the study of the history of currency. The reform of the currency system is attended with much difficulty in that country, notwithstanding the fact that its urgent need is recognized by all educated men. This is an eloquent testimony to the predominance of the power of individuals, who regard the reform of customs and the currency system as inimical to their interests, over the power of the State. Here again, we clearly see one reason for China's national economy still remaining in its natural condition.

5.

It is, however, difficult to affirm that China's social economy is still at the stage of crude national economy, or, in other words, at the stage where the State will does not exert its influence over the system and order of social economy.

In China, the State will does not influence social economy, or rather the State can only very feebly make its will felt in politics. Since the Revolution, the State will of action has been disrupted. Notwithstanding this, China's existence as an independent State is not questioned in international intercourse, because even when the State will of action is paralyzed owing to the presence of belligerent bodies, the Powers simply carry on diplomatic negotiations with bodies with separate wills of action, instead of going so far as to

deny the existence of the State as a whole. The Powers are ready, even when prolonged civil disturbances prevail in China, to respect the substantial will of the State even by consenting to deal with the Central Government which has only an existence in *passé* at times. No matter whether the State will of China is strong or weak, or whether its action is in abeyance, it is recognized internationally all the same. From this point of view, the Chinese national economy falls under the category of "willed economy" in an international sense. In international economy, China's economic territory is fixed, and she is the subject of a will which, like other countries, protects and asserts its interests within the bounds of its territory. On the other hand, she has a very imperfect political unity domestically and even her taxation and currency systems are not yet put into shape. In the light of this defective state of things, the Chinese national economy hardly deserves the name of "willed economy." The State gives no thought whatever to the matter of regulating the demand and supply of goods for the people generally. Nor is any policy for protecting and regulating production and trade to accord with the state of national demand effectually operated. These things are left entirely to the natural condition of the pursuits which individuals follow. The sole exception to the rule is the embargo on the export of rice which is effectually enforced. This embargo is, however, more due to political reasons than to purely economic considerations. A wise economic policy would be for the Chinese Government to make endeavours to develop agriculture and encourage the production of rice by permitting the export of the cereal, while striving to import it in lean years. The distribution of the national income and goods, which are to regulate the demand and supply of individuals, are left to the natural workings of things, the State taking no part in the matter. Especially in national finance, is the balance of foreign payments left to take care of itself, and the Government has not for a moment turned its attention to the question of bringing family finance into harmony with the State finance.

Both Japan and China have had their tariff autonomy restricted by the Western Powers, to the detriment of the development of national economy. As for Japan, however, she, while submitting to foreign pressure, devoted much of her energy to the betterment of domestic conditions, and carried out epoch-making changes in her currency, financial and industrial systems, thereby attaining the stage of willed national economy in a short time. China did not act likewise. She is still in a backward state, politically and economically, and many publicists are inclined to attribute it to foreign pressure. Instead of making any earnest endeavours to improve her domestic conditions, she has been indefatigable in asserting her interests in her dealings with outside Powers. Fortunately for her, the order of international economy has gradually improved and the ideal of common existence and common prosperity for all nations is gaining universal recognition in the world. This favourable situation has improved the position of China, who is now trying to induce even obstinate Britain to recognize her economic autonomy. In Japan, there is a strong body of opinion, which either dreading the anti-foreign agitation that has been going on in China of late, or apprehending its recurrence in future, asserts that to recognize China's demands is to admit the triumph of brute force. This view may appear to be correct to casual observers, but it is not so, as a matter of fact. It is not because of the coercive power of the anti-alien movements that China's demands on the outside Powers have increasing prospects of being accepted, but it is due to international social ideas which witnessed a remarkable growth after the world war and the changes which they have wrought in the foreign policy of the Powers. The anti-alien movements in China are nothing more or less than the manifestation of this spirit of the age. Britain's modification of her attitude is not because China has become stronger, nor is it owing to the minatory influences of brute force. It is rather due to Britain's own desire to alter the coercive policy which she has hitherto pursued, in view of the international ideas

which prevail at home and abroad. Not through any increase in China's own power, but through the changes of the times has the Chinese national economy been pushed to the stage of a "willed economy," internationally.

6.

Although, as already stated, China's national economy has already assumed the form of "willed economy" in international relationships, thanks to modern views of international justice and comity, yet domestically it is still devoid of the nature of "willed economy." It is the time-honoured tradition of China that while officialdom should look after State administration, economic matters should be left to the people. This tradition, coupled with the tendency of politics to keep aloof from economics, considerably helped the growth of the economic autonomy of the people, with the result that politics have more and more drifted away from economics. Such being the case, in these advanced days when even in international economy the commercial system, the labour system and other political economic systems are making developments, China still remains in a crude state in respect of her domestic economy. Whether it is "natural economy" or "willed economy" depends largely upon whether the system and order of intercourse in domestic economy are natural and free or amenable to control, and from this point of view, the Chinese national economy may well be described as being still in the stage of "natural economy."

The proper course for the Chinese national economy to take in future is naturally to develop itself into perfect "willed economy" in its domestic and international applications as in the case of other advanced countries. The first requisite in this regard is for the authority of the State to be firmly established at home. It is of secondary importance in "willed economy" whether the national economic organization is along capitalist or labour lines, or whether it adopts individual liberalism or universal dominance. The first thing

to be done is to strengthen the substantial will of the State which makes choice of either of these principles. In China as it is to-day, it might be possible for any political party to introduce a dictatorship of the Russian type, but this only in the sense that it has been possible in the past for one party to place itself at the head of the Central Government which could exercise no effective control over the actual economic life of the nation.

If the Chinese national economy is to develop into "willed economy," the State must, above all things, be established in perfect form, and a stable Central Government must be organized. Since, however, China possesses a peculiar social organization, it will be at once difficult and inadvisable for the State control to be extended to a very wide area or to the minutest detail, and consequently it is hardly to be expected that she will acquire the same form of State control as other countries have. The function of the State in regard to social economy must accordingly lie not so much in hurriedly setting up an imperfect structure of State-controlled economy as in promoting the development of social economy. In other words, the best course for China to pursue is to try to bring her natural national economy to perfection. She should bring politics and economics into close relationship by perfecting the taxation and currency systems and extend the system of nation-wide demand and supply by laying railways extensively and exploiting natural resources, increasing national wealth at the same time. Industrial education should be encouraged so as to usher in an industrial age. If this course is followed, it is to be hoped that the national economy will in due course of time pass from the present natural state into the stage of willed economy.

7.

In short, although in outward appearance it already assumes the character of willed national economy, the Chinese national economy of the present day is still in the state of

natural national economy in substance—and a very imperfect social economy, too. This makes it very discordant with the national economy of other countries. World-wide economy to-day is essentially “natural economy” with a number of national economies, which are “willed economy” by nature, within it, and among these rivalries or concerted movements are carried on. The Powers determine their foreign policies by taking their own economic interests into consideration, with due regard for harmony in international economy; but as for China, she cannot work for a harmony of interests between the countries concerned in her dealings with outside countries, as the system of her own national economy is so imperfect that she cannot often clearly judge where her national economic interests truly lie, or she cannot enforce an effective system or policy for the promotion of these interests, even where they are clearly manifest.

In 1923, China promulgated a law against the export of raw cotton, which, however, was fortunately not put into force. This policy clearly betrays defects in natural economy as it prevails at home, while it demonstrates the existence of willed economy in her dealings with outside countries. The spinning industry of China has not attained full development yet as it requires protection by lowering the price of the raw material through the embargo on the export of raw cotton. Before taking such a special measure of protection for this industry, the Chinese authorities ought to devise some effective methods of protecting the industry in general. Their proper duty lies in making the export of raw cotton free and encouraging the cultivation of raw cotton at home, thereby making their country live up to the reputation of being one of the most important cotton-producing countries of the world. As it is very clear that Japan would not remain silent when China put an embargo on the export of raw cotton, China's obvious course is to secure the lowering of the price of raw cotton by means of increased production. By increasing the exports of raw cotton, China will be able to safeguard one most promising source of national revenue,

which is expected to give a favourable turn to her balance of foreign payments. The fact that the Chinese Government concludes, in the face of these obvious facts, that it is easier to check the export of raw cotton than to increase its production at home illustrates the peculiar nature of the Chinese national economy, as compared with the national economy of other countries which is willed economy by nature.

The Chinese Customs question, which is now engaging the attention of the world, is another notable example illustrative of the characteristics of Chinese national economy. That China demanded tariff autonomy and that Japan thought fit to take the lead of the Powers in recognizing her demand shows that the State of China and her willed national economy are recognized internationally. On the other hand, as the Chinese national economy has not yet reached the stage of willed economy at home, it is expected that the unconditional recognition of China's tariff autonomy would lead the Chinese Government to take steps to increase the Customs revenue. Inasmuch as the Customs revenue embodies a kind of consumption tax, the state of the domestic excise must be carefully studied before increasing the Customs duty. The Customs duty being foreign in its bearings, its collection is attended with little difficulty, but the excises, which are domestic, are not likely to be collected successfully throughout the country. Suppling the place of the foreign goods, whose importation will be impeded by high duties, the prices of those articles which can be produced in China will be immensely raised. The result will be that there will occur no augmentation in the Customs revenue, and that only a small number of producers will be gainers at the expense of the consumers. Nor will the domestic production be promoted by the protectionist policy, for in a country of China's very inadequate producing equipment, it is well-nigh impossible for the domestic production to be increased without forcing very costly products upon the consumers. With regard to those foreign goods which in spite of heaviest duties enter unflinchingly

over heavy duties, they must essentially be articles which are not produced in China, and consequently any duties levied upon them will go to increase the burdens of the people, as they are a sort of consumption tax. Under the financial system of China, which is similar to that which is adopted in federal States, each province deducts its own administrative expenditure even from the direct national tax revenues and remits only a part of these taxes to the Central Government. Thus, taxes are, in effect, imposts collected from the provinces. The day is evidently far off when direct taxes can be unfailingly collected from all provinces in the form of the General Budget. In future, as heretofore, the consumption taxes, such as the salt gabelle, the tobacco and liquor taxes and Customs duties will constitute the pivot of the taxation system of China, as in the case of Federal States. If so, it becomes an essential condition of taxation that an equilibrium should be maintained between the Customs duties and other excises. This is important not only from the point of view of the incidence of taxes on the people but from that of foreign trade, but it is open to doubt whether it will be carried out successfully. It is only just and proper that China's tariff autonomy should be recognized, but a successful exercise of this tariff autonomy by that country is certainly not easy, in view of her present national economy.

Again, in order to develop the industries of China which lag far behind those of other countries, efforts must be made, as have been made by others, to exploit the natural resources, to reform land and technical methods and to foster new industries by largely importing foreign capital. When raising foreign loans for such purposes, she must fulfil the promises made in regard to the uses to which these loans are to be put, regular payments of principal and interest, etc., but in the event of the domestic industry not being operated, as desired, because of imperfect State control—as, indeed, there is such a tendency—there will occur a lack of harmony in domestic and foreign phases, with the

possible result that the national economy will be overburdened, as hitherto.

8.

The Powers have been persistent in urging China to see that her State organization and her Central Government were firmly established. This demand of the Powers is quite unreasonable, if considered in the light of the tradition of Chinese society and State. There is, of course, nothing objectionable about their making suggestions as to how China's future course should be shaped or their rendering her such help as is necessary for her to follow the suggested course, but they lay themselves open to the charge of lack of sympathy for China, when they proceed to accuse her of negligence because her progress towards the desired end is dilatory. The attitude of some Powers is glaringly selfish, and is consequently inexcusable, who attempt to carry out capitalist Imperialism in China or to make China adopt dictatorial Communism, by taking advantage of the weakness of her national organization. At the same time, the Powers find it impossible to look on the tardy progress of China's political reform with indifference and to suffer their interests to be unjustly impaired very often by China's attitude towards them on questions of international economy. This anomaly arises chiefly from the fact that in the present-day economy of the civilized world, which consists of many willed national economies, China alone lacks willed economy domestically. Japan, who has the most extensive and deepest economic interest in China, must be under no illusion about the characteristics of the Chinese national economy, lest she should take false steps in shaping her course in regard to that country. This fact must also be borne in mind in considering the question of the anti-alien boycotts which frequently occur in that country.

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